



Dynamic Machine Works Inc.

12 Suburban Park Drive, Billerica, MA 01821 USA

Precision Flowforming

Machine & Electrical Consultants, Inc.
17 Powerleau Street
Biddeford ME 04005

December 9, 2003

Attention: Mr. Norman Crepeau

Subject: Dynamic Machine Works Purchase Order No. 13436

Reference: (1) Johnford HT-275G CNC Lathe

(2) Signed Agreement dated July 8, 2003

Dear Norman,

This letter will recap our phone conversation of this morning and my huge dilemma in trying to run a business while dealing with the continued and incomprehensible delays in the commissioning of this machine. As you know, we have been extremely patient about this whole thing, always wanting to believe that the light at the end of the tunnel was near. Although there was ample reason to cancel this order long ago, against my own better judgment, I did not move on it due to our personal relationship, my knowledge of how much this machine in our company means to you, and fully aware of the not-so-pleasant repercussions in the market place for your company in having a brand new machine unaccepted by the customer.

So much time has gone by that there is a need to put things in perspective to see the whole story clearly and to understand what we have been put through this year with this machine. In December of last year, through a number of meetings and conversations that took place at the time, you became personally knowledgeable of our serious needs for a machine of this type. Based on a promise for a delivery date of May 15, 2003 we placed the order for this machine with your company. Eventually, on or about mid-April, in response to our inquiry for a delivery update you told us that the machine would not be here in May but in June. Unhappily we agreed to it. In mid-June, after we placed a number of calls with you and wasted two weeks supposedly while you were waiting for a "firm" reply from Johnford/Taiwan for a delivery update, eventually you told us that the machine would now ship the end of August/beginning of September. At that point, not being able to tolerate further delays due to our now pressing commitments, a decision was made to cancel the order with your company and purchase whatever large machine could be found readily available for sale somewhere.

You and I spoke more than once at that time and you certainly became aware of how I felt about the truthfulness and honesty of the quoted original delivery date. On June 23, you forwarded to me via telefax a copy of a letter received by your office from the Johnford Company and signed by a Ms Julia Wu who apologizes for the delays and closes by stating that "...expect to have this machine finished and shipped out by middle of August". Based on this new written promise, our good personal relationship and sensitive to the impact the cancellation would have on your company, I reconsidered the decision to cancel providing we would enter into an agreement stipulating a (a) "guaranteed ship date" of August 15, (b) a "complete and unconditional commissioning of the machine to be finalized no later than the closing of business day on Friday, September 19, 2003" and (c) a financial penalty for every day the machine was not commissioned after this date. Convinced that the financial penalty for being late would be such a deterrent that would almost certainly assure us receipt and commissioning of the machine by the stated dates, we reconsidered cancellation. You and I entered and signed such a written agreement on July 8.

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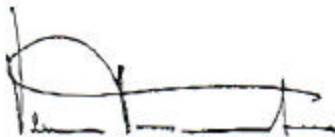
No need to go into lots of details of the last few weeks with the machine here. Suffice to say though that, either Johnford does not know how to built precision CNC lathes or, most likely, to meet the August 15 deadline for a ship date they just shipped us an unfinished machine. This of course is essentially the equivalent of having kept the machine there for three more months!!! And, to make things much worse, trying to do what needs to be done here with very limited resources the task to make this thing work has turned into an extremely expensive one and is taking an unacceptable amount of time! What a warped way to do business! The end result is that several months after this expensive equipment should have been fully commissioned and working to keep Dynamic's customers happy we are still screwing around with a machine that cannot cut straight diameters.

We cannot wait longer. The situation with our deliveries to our customers has become quite serious and unacceptable. After innumerable broken promises to them in the last few months we still cannot ship parts. We stand to lose not only the jobs but, more importantly, the customers. We cannot and will not allow this to happen.

As I stated to you early this morning on the telephone, we will grant you one last and final deadline for this machine to be fully and unconditionally commissioned by the close of business day, Friday December 19, 2003. Please realize that this is a full three more months of waiting from the last promised date. Penalties as specified and applicable by our July agreement will remain in force.

If by the above new date Machine & Electrical representatives cannot prove and demonstrate that this machine is (a) capable to make and repeat precise and straight cuts throughout its entire length and repeating the same test after the tailstock has been moved to a different location on the machine bed, (b) meeting or exceeding all that has been agreed upon and is generally expected in the operation of a precision lathe and (c) fit to be fully commissioned, Dynamic will cancel the order, require immediate removal of this machine off our floor and any fund paid towards it and whatever costs and penalties that might have accrued so far.

Looking forward to some fast action!



Ven Fonte